

**STATE BOARD OF FINANCE**  
**March 13, 2018 – 1:00 PM**  
**Summary Minutes**

**Location:**

Via videoconference at the following locations:

Old Assembly Chambers	Governor's Office Conference Room
Capitol Building, Second Floor	555 E Washington Avenue, Suite 5100
101 N. Carson Street	Las Vegas, NV 89101
Carson City, NV 89701	

Governor Sandoval called the meeting to order at 1:00 P.M.

**Board members present:**

Governor Brian Sandoval – Carson City  
Treasurer Dan Schwartz – Las Vegas  
Controller Ron Knecht – Carson City  
Teresa Courier – Carson City  
Steve Martin – Las Vegas

**Others present:**

Tara Hagan – Chief Deputy Treasurer  
Kim Schafer – Deputy Treasurer – Investments  
Lori Chatwood – Deputy Treasurer - Debt  
Dennis Belcourt – Deputy Attorney General  
David Paull – Nevada HAND  
CJ Manthe – Nevada Department of Business and Industry  
Gill Brewer – Nevada Housing Division  
Stephen Aichroth – Nevada Housing Division  
Michael Holliday – Nevada Housing Division  
Fred Eoff – Public Financial Management  
Terry Reynolds – Nevada Department of Business and Industry  
Jacob Carlton – Nevada Department of Business and Industry  
David Robertson – Nevada Department of Business and Industry  
Jacob LaRoe – Nevada Department of Business and Industry  
Gayle Robertson – Carson City Treasurer  
Eric Johnson – Department of Conversation and Natural Resources – Parks Division  
Tim Hunt - Department of Conversation and Natural Resources – Parks Division  
Jen Iden – Department of Conversation and Natural Resources – Parks Division  
Robert Nellis – Nevada Department of Transportation  
John Alphson – Nevada Rural Housing Authority  
Jenni Cartright - Nevada Department of Administration  
Ryan Warburton – Gilmore and Bell

**Agenda Item 1 – Public Comment.**

No public comment in Carson City or Las Vegas.

**Agenda Item 2 – For possible action – Approval of the Board of Finance minutes from the meeting held on January 23, 2018.**

Controller Knecht pointed out a typo on page 7 of the minutes which listed the name as Jason Wide, but the correct spelling is Jason “Zweig”.

Controller Knecht moved to approve the minutes as amended. Teresa Courier seconded the motion. Motion passed unanimously.

**Agenda Item 3 – For discussion and possible action:** Discussion and possible action on a resolution designated by the short title "2018 Highway Improvement Revenue Bond Resolution"; authorizing the sale and issuance of the State of Nevada, Highway Improvement Revenue (Motor Vehicle Fuel Tax) Bonds, Series 2018 in the maximum aggregate principal amount of \$140,000,000; providing the form, terms and conditions of the bonds; providing for the continued imposition and collection of certain fuel taxes deposited in the state highway fund; pledging the proceeds of excise taxes and any appropriate federal highway aid payable to the state to the payment of the bonds; ratifying action previously taken and pertaining thereto; and providing other related matters.

Ms. Lori Chatwood presented the resolution which was approved by the Nevada Transportation Board. Ms. Chatwood stated that the Board approved a resolution requesting that the Board of Finance issue Highway Improvement Revenue Bonds in an amount not to exceed \$140,000,000. She stated that the bonds are special obligation bonds of the State paid by the Motor Vehicle Fuel Tax and that the bonds are not General Obligation bonds of the State and, therefore, not subject to the debt limit. Ms. Chatwood explained that the 2018 bonds are the fourth and final tranche of issuance anticipated to be required for the completion of Project Neon in Las Vegas and meet the requirements of over three-time coverage.

Governor Sandoval asked if the total project savings was at or around \$30 million.

Mr. Robert Nellis with the Nevada Department of Transportation (NDOT) stated that the project originally sought approval for up to \$564 million in bond sales but that the project has only used \$520 million with a total savings of over \$44 million.

Steve Martin moved to approve Agenda Item 3. Teresa Courier seconded the motion. Motion passed unanimously.

**Agenda Item 4 – For discussion and possible action:** Discussion and possible action on the Nevada Housing Division’s request to approve the Findings of Fact pertaining to the issuance of up to \$5,000,000 of Multi-Unit Housing Revenue Bonds (Desert Properties Apartments), for the purpose of acquisition and remodel of a 56-unit affordable housing rental project in Tonopah, Nevada. The project owner/developer will be Desert Properties Associates, LLC an entity comprised of the Nevada Rural Housing Authority and the Richman Group. The Richman Group

will be the equity investor limited partner. Approval of the Board of Finance is required pursuant to NRS 319.270(4).

Mr. Steve Aichroth presented to the Board that the Nevada Housing Division is requesting the Board approve the Findings of Fact pertaining to the issuance of up to \$5,000,000 of multi-unit Housing Revenue Bonds (Desert Properties Apartments) for the purpose of acquisition and remodel of a 56-unit affordable apartment complex in Tonopah, Nevada consisting of 36 family units and 20 senior units. He noted that the rental housing will serve low and fixed income families at or below 50% of area median income. He stated that the community is close to medical facilities and a supermarket on the south end of town. Mr. Aichroth stated that the Housing Division will be the conduit issuer on the bonds and there is no liability for the repayment of the bonds for neither the State of Nevada nor the Housing Division. He further noted that the project owner/developer will be Desert Properties Associates, LLC, an entity comprised of the Nevada Rural Housing Authority and the Richman Group. He noted that the Richman Group will be the equity investor limited partner and the bonds will be paid by the developer through project revenues and the project will be structured in two phases, the construction phase and the permanent phase. The debt will be either publicly offered or placed with a financial institution.

Governor Sandoval asked if the project is a rehabilitation of existing units to which Mr. Fred Eoff stated that was correct. Governor Sandoval noted he is extremely pleased to see this investment in Tonopah and rural Nevada.

Treasurer Schwartz questioned the financial viability of this project and inquired about coverage for the bonds. Mr. Eoff noted that the 52 of the 56 units received project-based rental assistance from the United States Department of Agriculture (USDA) – Rural Development Section 515 program; therefore, the majority of the tenants' rent is subsidized and the size of the financing is subsidized by the Section 515 program too. He noted that these subsidies help ensure the financial viability of the project.

Controller Knecht questioned the trend assumptions in the documentation and noted that the assumptions may also assist in the financial viability of the project. He questioned the vacancy rate of five percent and inquired if that could be exceeded on a consistent basis and whether it was conservative enough. Fred Eoff stated that the use of a five percent vacancy factor is typically used when they underwrite multi-unit family properties and the expectation is that because of the attractiveness and demand for these units, it's highly unlikely the vacancy will rise to five percent. Mr. Eoff noted that the actual topline revenue derived by the project will be greater than the somewhat discounted level noted in the assumptions.

Treasurer Schwartz and Controller Knecht noted their appreciation to see a project like this in rural Nevada and congratulated the Nevada Rural Housing for their hard work.

Controller Knecht moved to approve Agenda Item 4. Teresa Courier seconded the motion. Motion passed unanimously.

**Agenda Item 5 – For discussion and possible action:** Discussion and possible action on the request by the Director of the State of Nevada Department of Business and Industry (the “Director”) to approve the Findings of Fact pertaining to the issuance of charter school lease revenue bonds in an amount not to exceed \$62,000,000 for the purpose of assisting in the financing the acquisition of charter school facilities and the related land and improvements to be initially owned on behalf of the Director by ZB, National Association dba Zions Bank and leased to and operated by Somerset Academy of Las Vegas for its educational purposes to be comprised of (i) an approximately 54,821 square-foot school building located on an approximately 4.61 acre site located at 50 N. Stephanie Street in Henderson and (ii) an approximately 160,105 square-foot school building located on an approximately 16.91 acre site located at 4650 Losee Road in North Las Vegas, each located in Clark County, Nevada. Approval of the Board of Finance is required pursuant to NRS 388A.650.

Ms. CJ Manthe presented to the Board that the Nevada Department of Business and Industry is requesting the Board approve the Findings of Fact pertaining to the issuance of charter school lease revenue bonds, for the Somerset Academy of Las Vegas, in the amount not to exceed \$62,000,000. She noted that the tax exempt bonds will allow the public charter school to finance its facility at a lower cost which in turn keeps more money in the classroom to educate Nevada school children. She stated that the acquisition of the Stephanie campus, located in Henderson, and the Losee campus, located in North Las Vegas, are a part of this bond financing. She noted that the Department of Business and Industry will be the conduit issuer on the bonds and that there is no liability to the state or the Department of Business and Industry. Ms. Manthe stated that the obligation for the repayment of the bonds is made by the Charter School from their revenues and secured by the property.

Trevor Goodsell, with the Charter School, explained that they are looking to purchase two additional campuses, the Losee Campus and the Stephanie Campus. He noted that the Losee Campus is a K – 12 campus and the Stephanie Campus serves grades K – 8 and that both campuses are currently full and have extensive waiting lists. Mr. Goodsell stated that the project funds include two projects on the Losee campus which is lighting for the field and to renovating the floor in the cafeteria. He explained that the bond proceeds will help lower facility costs expenses which will in turn keep more money in the classroom to help in increasing teachers’ salaries and purchase additional classroom supplies.

Ryan Warburton with Gilmore and Bell discussed the structure of the bonds and noted that this issuance is pari-passu with the issuance in 2015; therefore the additional structures and revenues will back both bond issuances. He noted that the state is a conduit issuer with no liability in regards to this issuance.

Governor Sandoval questioned if there had been any issues with the payments to bond holders from the 2015 issuance. Mr. Warburton noted that there has been no issue.

David Robertson, from Lewis Young, who is the financial advisor on the project explained the pricing on the bonds and stated that they have received cost numbers from the underwriters which has been promising and explained the bonds will be purchased by qualified institution buyers. He noted that there is indicative pricing on the bonds making it very competitive and it is structured similarly to how other bonds have been priced in the market. He stated that the bonds

will be priced the first week of April 2018 and close towards the end of April. He noted that the savings to the school in regards to bonding versus leasing will be in excess of \$800,000 per year.

Controller Knecht asked for the projected interest rate on the bonds and Mr. Robertson stated the true interest cost or indicative rate is 5.45% - 5.5%. Controller Knecht questioned if the rates are being driven by the short-term policy rates or long-term market rates on the 10-year and 30-year Treasury. Mr. Robertson noted that these types bonds are pricing using the MMD or the Municipal Market Data Index which looks at a weighted average yields of municipal bonds.

Teresa Courier moved to approve Agenda Item 5. Steve Martin seconded the motion. Motion passed unanimously.

**Agenda Item 6** - Receive a report on bond expenditures as of December 31, 2017.

Ms. Kimberly Shafer presented to the Board a report on the expenditures of bond proceeds as of December 31, 2017. She explained that the three reasons for the report are that it helps to ensure compliance with federal regulations which require a reasonable expectation of spending 85% of bond proceeds within the first three years of issuance, to avoid issuing and paying interest on proceeds while they go unspent and to assist in the planning and financing capital projects to reduce the state's financing cost. Ms. Shafer reviewed the Summary of Report results to the Board, excluding 2017 issuances, stating there was \$51.29 million of unspent bond proceeds and explained how those proceeds were categorized. Ms. Shafer stated that after three years of reporting post issuance expenditures to the Board, the Treasurer's Office along with other using agencies, believe the formal process of reporting and monitoring bond expenditures is a worthwhile effort.

No comments or questions from the Board.

**Agenda Item 7 – For possible action:** Discussion and possible action on Carson City Treasurer's request for approval of Government Portfolio Advisers, L.L.C. as an approved investment advisor pursuant to NRS 355.171, subsection 3.

Tara Hagan presented a request for the Board to approve Carson City's use of Government Portfolio Advisers as an approved investment advisor. Ms. Hagan stated that the State Treasurer's Office utilizes GPA for their NVEST Program which is a longer term investment strategy for political subdivisions.

No comments or questions from Board members.

Controller KNECHT moved to approve Agenda Item 7. Teresa Courier seconded the motion. Motion passed unanimously.

**Agenda Item 8 – For discussion and possible action:** Discussion and possible action (a) regarding the State Treasurer's quarterly investment report for the quarter ended December 31, 2017 and (b) to approve or disapprove the Treasurer's investment policies for the General Portfolio and the Local Government Investment Pool (LGIP).

Tara Hagan presented performance information to the Board regarding the fourth calendar quarter fixed income market and the performance of both the General Portfolio and LGIP portfolio. She noted since December 2016, the Federal Reserve has issued four interest rate hikes, bringing the rate up to 1.25% - 1.50%. She also noted that the market has priced at nearly 100% probability of another interest rate hike in March 2018. Ms. Hagan stated that staff is taking a hard look at the benchmark for the entire General Portfolio and are anticipating on bringing the results back to the Board in June 2018 with an update. Ms. Hagan explained that the applicable Nevada statutory restrictions on corporate notes, sovereigns and supranational investments has had a negative impact on the outside managers' performance (Chicago Equity Partners and MacKay Shields) versus the benchmark (Bloomberg Barclays Intermediate A or better Government Credit Index) .

Teresa Courier moved to approve Agenda Item 8. Controller KNECHT seconded the motion. Motion passed unanimously.

**Agenda Item 9** - Board Members' comments, including discussion of future agenda items and status of past, present and future projects or other matters within the Board's jurisdiction.

No comments or questions from Board members.

**Agenda Item 10 – Public Comment**

There were no public comments in Carson City or Las Vegas.

Meeting adjourned at 1:47pm.